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Bank linked to shady CIA arms deals

The crash last week of a "mystery plane" carrying guns for the Nicaraguan Contras shed some unwelcome light on the shady reality of international arms smuggling. The CIA stoutly denied any hand in the incident, but the denial was greeted with widespread skepticism.

It is rare indeed that CIA involvement in the murky world of arms trading can be pinpointed beyond a reasonable doubt. But bills of lading, purchase orders, bank records and other documents obtained by our associates Corky Johnson and Donald Goldberg show conclusively that a respected Maryland bank was caught up in the web of clandestine CIA arms deals.

The documents show that for more than 10 years the First National Bank of Maryland in Baltimore has been the transfer point for millions of CIA dollars used to buy and ship military hardware around the world. Two transactions in 1982 and 1983 alone involved the shipping of about 100,000 rifles, worth \$5 million, to ports indicating that the weapons may have been delivered to CIA-supported rebel groups in Nicaragua, Angola and Afghanistan.

The two companies that carried out the transactions were Associated Traders Corp. of Baltimore and the Washington, D.C. office of Sherwood International Corp., a Los-Angeles-based licensed arms exporter. Associated Traders used First National Bank to make payments to Sherwood for handling the arms shipments.

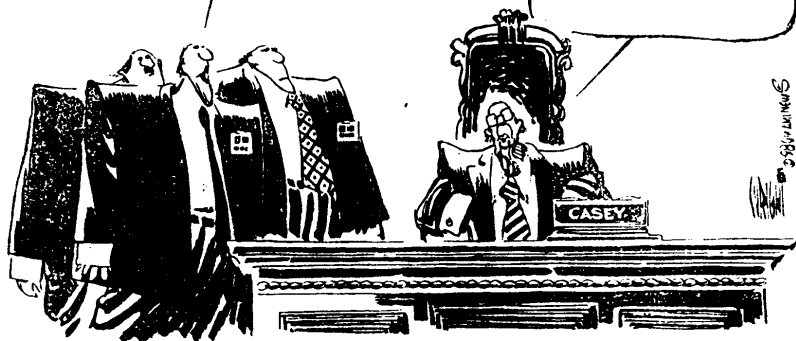
Associated Traders is a CIA "front," our sources have confirmed. It was incorporated in 1969 as a Baltimore firm, but now operates in Vienna, Va., not far from CIA headquarters in Langley. The front company's offices are in a building that houses classified federal government operations.

Robert Maxwell, a former First National senior executive, acknowledged that the bank handled the Associated Traders account with the clear understanding that the company was really the CIA.

Maxwell told us he was instructed by his bosses to do "whatever Associated Traders requested." The requests included hidden financial transfers of dubious legality. Associated transferred huge sums to offshore banks in the Cayman Islands, then to banks in Panama and finally to Switzerland. The point of the scheme was to make the arms purchase difficult to trace.

A C-123 CARGO PLANE, WITH WHICH WE HAVE NO CONNECTION, WAS SHOT DOWN FLYING WEAPONS TO THE CONTRAS!

REPLACE IT WITH ANOTHER C-123 CARGO PLANE, WITH WHICH WE HAVE NO CONNECTION, AND RESUME SHIPPING WEAPONS, WITH WHICH WE HAVE NO CONNECTION, TO THE CONTRAS, WITH WHOM WE HAVE NO CONNECTION.



Jack
Anderson



Joseph
Spear

Maxwell said the money laundering sidestepped normal banking procedures and may have violated federal laws, including the Bank Secrecy Act requiring that transactions of more than \$10,000 be reported to federal regulators.

In a memo to his superiors in February 1985, Maxwell expressed his concern, writing: "When Bob Benson (of Associated) dropped off his request he expressed concern at having the comproller of the currency or any type of federal investigation learning about Associated Traders. He wants us to locate another bank ... in Panama, and he is looking to set up another account for fear of investigation into the Cayman money market accounts."

Maxwell then wrote: "My conversation with Benson has compounded my concerns and fears regarding this corpo-

ration ... I question if our bank should be involved."

Maxwell also complained about Associated Traders' practice of transferring large amounts without identifying itself in the authorization. One telex from First National to the Panama bank, for example, ordered the transfer of \$5.3 million to a Swiss account "by order of a client."

For his own protection against charges of violating the banking laws, Maxwell demanded written authorization from his superiors to handle Associated's "requests." When he failed to get the written authorization, Maxwell resigned. He said one bank official told the CIA had blocked the request for written authority. About the same time, Maxwell's boss, Senior Vice President John Bond, also left the bank. Another bank official who handled the CIA account, Roy Teather, transferred to the bank's Pennsylvania office.

Bond and Teather's names appear along with Maxwell's on bank records dealing with Associated Traders. Maxwell's name also appeared on the CIA account, but he said it was listed without his consent.

Footnote: The CIA, Associated Traders, Sherwood International and First National Bank officials refused comment.

Set in concrete: The State Department's inspector general has considered some beams in its embassy in Saudi Arabia and found them not only expensive but unnecessary. The concrete beams support a 250-ton portico and "are not a structural part of the building," the auditor noted, yet they cost \$100,000. "An equally attractive and acceptable effect could have been accomplished for much less," the report complained. In general, though, the auditor had kind words for the new chancery, and even praised the efficiency of the Riyadh embassy.

Mini-editorial: Whatever else it may have achieved, the non-summit conference in Reykjavik sure gave a boost to the Icelandic economy. The bleak Viking island is hardly a mecca for tourists even in the best of times, and the idea of visiting Iceland in October is enough to chill almost anyone. So the landlords of Reykjavik have leaped at the chance to capitalize on their unexpected windfall — reportedly charging as much as \$15,000 for a week in a three-bedroom apartment. Who says the Scandinavian countries have deserted free enterprise for socialism?

Jack Anderson and Joseph Spear are syndicated columnists based in Washington.